

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
BIG BEAR VALLEY RECREATION
AND PARK DISTRICT**

REPORT ON AUDIT

JUNE 30, 2006

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
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County of San Bernardino
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Big Bear Valley Recreation and Park District

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of San Bernardino Special District Big Bear Valley Recreation and Park District (District), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the County of San Bernardino Special District Big Bear Valley Recreation and Park District, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The budgetary comparison information on pages 20 and 21 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The County of San Bernardino Special District Big Bear Valley Recreation and Park District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Rogers, Anderson, Molody & Scott, LLP

September 15, 2006

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Statement of Net Assets
June 30, 2006**

ASSETS

Cash and cash equivalents	\$ 2,481,497
Special purpose revolving	31,595
Interest receivable	8,643
Taxes receivable	103,806
Due from other governments	440
Capital assets, net of depreciation	<u>1,864,905</u>
Total Assets	<u>4,490,886</u>

LIABILITIES

Accounts payable	23,998
Salaries and benefits payable	69,876
Compensated absences payable	<u>108,111</u>
Total Liabilities	<u>201,985</u>

NET ASSETS

Invested in capital assets	1,864,905
Restricted	27,809
Unrestricted	<u>2,396,187</u>
Total Net Assets	<u><u>\$ 4,288,901</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Statement of Activities
For the Year Ended June 30, 2006**

EXPENSES

Salaries and benefits	\$ 1,311,558
Services and supplies	663,058
Depreciation	82,522
Total Program Expenses	<u>2,057,138</u>

PROGRAM REVENUES

Charges for services	744,319
Operating grants and contributions	12,918
Total Program Expense	<u>(1,299,901)</u>

GENERAL REVENUES

Property taxes	1,249,269
Other governmental assistance	1,598,621
Other taxes	100,558
State assistance	22,219
Investment earnings	12,206
Other	481
Intergovernmental	118,579
Gain on the sale of capital assets	22,371
Total General Revenues	<u>3,124,304</u>

Change in Net Assets	1,824,403
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Net Assets - beginning	<u>2,464,498</u>
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Net Assets - ending	<u><u>\$ 4,288,901</u></u>
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Balance Sheet
Governmental Funds
June 30, 2006**

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUND
	General (SSA)	Zoo (SSF)	Animal Park Relocate (CRR)
ASSETS			
Cash and cash equivalents	\$ 647,365	\$ 130,640	\$ 1,574,852
Special purpose revolving	31,595	-	-
Interest receivable	2,534	667	4,653
Taxes receivable	103,806	-	-
Due from other funds	-	-	-
Total Assets	<u>\$ 785,300</u>	<u>\$ 131,307</u>	<u>\$ 1,579,505</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 19,900	\$ -	\$ 4,098
Salaries and benefits payable	53,825	16,051	-
Total Liabilities	<u>73,725</u>	<u>16,051</u>	<u>4,098</u>
Fund Balances:			
Reserved:			
Special purpose revolving	27,809	-	-
Unreserved:			
Undesignated	683,766	115,256	1,575,407
Total Fund Balances	<u>711,575</u>	<u>115,256</u>	<u>1,575,407</u>
Total Liabilities and Fund Balances	<u>\$ 785,300</u>	<u>\$ 131,307</u>	<u>\$ 1,579,505</u>

Amounts reported for *governmental activities* in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Compensated absences payables are not financial resources, and, therefore, are not reported in the funds.

Net Assets of Governmental Activities

The accompanying notes are an integral part of these financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 128,640	\$ 2,481,497
-	31,595
789	8,643
-	103,806
440	440
<u>\$ 129,869</u>	<u>\$ 2,625,981</u>
\$ -	\$ 23,998
-	69,876
-	93,874
-	27,809
129,869	2,504,298
<u>129,869</u>	<u>2,532,107</u>
<u>\$ 129,869</u>	
	1,864,905
	(108,111)
	<u>\$ 4,288,901</u>

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006**

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECTS FUND</u>
	<u>General (SSA)</u>	<u>Zoo (SSF)</u>	<u>Animal Park Relocate (CRR)</u>
REVENUES			
Property taxes	\$ 1,179,269	\$ 70,000	\$ -
Other governmental assistance	7,863	-	1,575,000
Other taxes	100,558	-	-
State assistance	22,219	-	-
Investment earnings	1,908	2,357	4,704
Service fees	373,978	369,383	-
Contributions	-	5,229	-
Other	481	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	1,686,276	446,969	1,579,704
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries and benefits	1,017,634	301,741	-
Services and supplies	511,137	131,818	-
Capital outlay:			
Improvements to land	-	-	4,473
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,528,771	433,559	4,473
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures	157,505	13,410	1,575,231
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	22,371	-	-
Transfer in	-	-	-
Transfer out	(40,000)	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(17,629)	-	-
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	139,876	13,410	1,575,231
	<hr/>	<hr/>	<hr/>
Fund Balances - beginning	571,699	101,846	176
	<hr/>	<hr/>	<hr/>
Fund Balances - ending	<u>\$ 711,575</u>	<u>\$ 115,256</u>	<u>\$ 1,575,407</u>

The accompanying notes are an integral part of these financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,249,269
15,758	1,598,621
-	100,558
-	22,219
3,237	12,206
958	744,319
7,689	12,918
-	481
<u>27,642</u>	<u>3,740,591</u>
-	1,319,375
20,103	663,058
<u>124,995</u>	<u>129,468</u>
<u>145,098</u>	<u>2,111,901</u>
<u>(117,456)</u>	<u>1,628,690</u>
-	22,371
158,579	158,579
-	(40,000)
<u>158,579</u>	<u>140,950</u>
41,123	1,769,640
<u>88,746</u>	<u>762,467</u>
<u>\$ 129,869</u>	<u>\$ 2,532,107</u>

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,769,640
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$129,468) exceeded depreciation expense (\$82,522) in the current period.	46,946
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Decrease in compensated absences payable	7,817
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Change in Net Assets of Governmental Activities	\$ 1,824,403
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The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Big Bear Valley Recreation and Park District (District) is located within the County of San Bernardino. The District has governmental powers as established by the San Bernardino County Government Charter (County). The County was established in 1852 as a legal subdivision of the State of California.

The District was established by an act of the Board of Supervisors of the County of San Bernardino on April 23, 1934. The governmental reporting entity maintains nine parks, including a zoo, swim beach, and senior center.

The District is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable, or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (i) the County has the ability to impose its will on the organization, or (ii) there is potential for the organization to provide a financial benefit to, or impose a financial burden on, the County.

The accompanying financial statements reflect only the accounts of the District and are not intended to present the financial position of the County taken as a whole.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the district does not have any proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *special revenue fund* labeled "General" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* labeled "Zoo" accounts for the Moonridge Animal Park Zoo and zoo projects.

The *capital projects fund* labeled "Animal Park Relocate" is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Currently, the district does not have any business-type activities.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Employee compensated absences

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a long-term liability. The District is not obligated to pay for unused sick leave if an employee terminates or retires.

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 115,928	\$ 41,713	\$ 49,530	\$ 108,111

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the District prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for fixed assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2006.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 3: CAPITAL ASSETS

Capital asset activity for year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 171,057	\$ -	\$ -	\$ 171,057
Construction in progress	291,061	129,468	(128,847)	291,682
Total capital assets, not being depreciated	462,118	129,468	(128,847)	462,739
<i>Capital assets, being depreciated:</i>				
Improvements to land	1,005,478	128,847	-	1,134,325
Structures and improvements	1,450,154	-	-	1,450,154
Vehicles	244,308	-	(93,717)	150,591
Equipment	24,136	-	(6,705)	17,431
Total capital assets, being depreciated	2,724,076	128,847	(100,422)	2,752,501
Less accumulated depreciation for:				
Improvements to land	(576,423)	(32,018)	-	(608,441)
Structures and improvements	(582,913)	(30,865)	-	(613,778)
Vehicles	(184,763)	(19,639)	93,717	(110,685)
Equipment	(24,136)	-	6,705	(17,431)
Total accumulated depreciation	(1,368,235)	(82,522)	100,422	(1,350,335)
Total capital assets, being depreciated, net	1,355,841	46,325	-	1,402,166
Government-type activities capital assets, net	\$ 1,817,959	\$ 175,793	\$ (128,847)	\$ 1,864,905

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 4: RETIREMENT PLAN

Plan description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (the MDAQMD) and the South Coast Air Quality Management District (the AQMD), were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Fiduciary responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2006.

Funding policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 4: RETIREMENT PLAN (continued)

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	<u>172,563</u>
Annual Contributions Made	<u>166,614</u>
Increase/(Decrease) in Pension Assets	(5,949)
Pension Assets, Beginning of Year	<u>844,882</u>
Pension Assets, End of Year	<u><u>\$ 838,933</u></u>

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2006 is \$439,879,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2006 is \$461,665,000.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 5: FEDERAL AND STATE GRANTS

From time to time the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 6: RISK MANAGEMENT

The CSA is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.7 million at June 30, 2006.

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Notes to Financial Statements
June 30, 2006**

NOTE 6: RISK MANAGEMENT (continued)

The total claims liability of \$127.2 million reported at June 30, 2006 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2005 and 2006 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	End of Fiscal Year Liability (in thousands)
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

NOTE 7: TRANSFERS IN/OUT

Interfund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. At June 30, 2006, the CSA made the following interfund transfer in and out:

	Transfer in:
	Paving at Miller Park (CQJ)
Transfer out:	
General (SSA)	\$ 40,000

NOTE 8: CONTINGENCIES

As of June 30, 2006, in the opinion of the District Administration, there are no outstanding matters, which would have a significant effect on the financial position of the District.

NOTE 9: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIIIB to the State Constitution, establishes limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the District during the 2005-2006 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

Required Supplementary Information
County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Budgetary Comparison Schedule - Special Revenue Fund (General)
For the Year Ended June 30, 2006

	Special Revenue Fund			
	General (SSA)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,039,829	\$ 1,039,829	\$ 1,179,269	\$ 139,440
Other governmental assistance	568,044	568,044	7,863	(560,181)
Other taxes	23,805	23,805	100,558	76,753
State assistance	20,557	20,557	22,219	1,662
Investment earnings	100	100	1,908	1,808
Service fees	501,000	501,000	373,978	(127,022)
Other	2,000	2,000	481	(1,519)
Total Revenues	2,155,335	2,155,335	1,686,276	(469,059)
EXPENDITURES				
Salaries and benefits	1,103,432	1,103,432	1,017,634	85,798
Services and supplies	642,810	642,810	511,137	131,673
Capital outlay:				
Equipment	-	-	-	-
Vehicles	42,000	42,000	-	42,000
Reserves and contingencies	577,757	577,757	-	577,757
Total Expenditures	2,365,999	2,365,999	1,528,771	837,228
Excess of Revenues Over (Under) Expenditures	(210,664)	(210,664)	157,505	368,169
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	22,371	22,371
Transfer out	(320,583)	(320,583)	(40,000)	280,583
Total Other Financing Sources (Uses)	(320,583)	(320,583)	(17,629)	302,954
Net Change in Fund Balance	\$ (531,247)	\$ (531,247)	139,876	\$ 671,123
Fund Balance - beginning			571,699	
Fund Balance - ending			\$ 711,575	

Required Supplementary Information
County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Budgetary Comparison Schedule - Special Revenue Fund (Zoo)
For the Year Ended June 30, 2006

	Special Revenue Fund			
	Zoo (SSF)			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
State assistance	500,000	500,000	-	(500,000)
Investment earnings	3,100	3,100	2,357	(743)
Service fees	360,682	360,682	369,383	8,701
Contributions	20,000	20,000	5,229	(14,771)
Other	27,929	27,929	-	(27,929)
Total Revenues	981,711	981,711	446,969	(534,742)
EXPENDITURES				
Salaries and benefits	392,837	392,837	301,741	91,096
Services and supplies	127,395	133,895	131,818	2,077
Reserves and contingencies	62,990	62,990	-	62,990
Total Expenditures	583,222	589,722	433,559	156,163
Excess of Revenues Over (Under) Expenditures	398,489	391,989	13,410	(378,579)
OTHER FINANCING SOURCES (USES)				
Transfer out	(500,000)	(493,500)	-	493,500
Net Change in Fund Balance	<u>\$ (101,511)</u>	<u>\$ (101,511)</u>	13,410	<u>\$ 114,921</u>
Fund Balance - beginning			101,846	
Fund Balance - ending			<u>\$ 115,256</u>	

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	SPECIAL REVENUE FUNDS		
	SR Trans Project (SSB)	Zoo Project (SSC)	SR Nutrition Program (SSH)
ASSETS			
Cash and cash investments	\$ 2,308	\$ 66,826	\$ 4,540
Interest receivable	-	632	-
Due from other funds	-	-	74
Total Assets	<u>\$ 2,308</u>	<u>\$ 67,458</u>	<u>\$ 4,614</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Unreserved:			
Undesignated	<u>2,308</u>	<u>67,458</u>	<u>4,614</u>
Total Fund Balances	<u>2,308</u>	<u>67,458</u>	<u>4,614</u>
Total Liabilities and Fund Balances	<u>\$ 2,308</u>	<u>\$ 67,458</u>	<u>\$ 4,614</u>

CAPITAL PROJECT FUNDS		
SR Center Paving (CNG)	Miller Park (CRP)	Meadow Park Walk (CSE)
\$ 408	\$ 4,495	\$ 16,557
-	-	157
-	-	-
\$ 408	\$ 4,495	\$ 16,714
\$ -	\$ -	\$ -
408	4,495	16,714
408	4,495	16,714
\$ 408	\$ 4,495	\$ 16,714

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	<u>CAPITAL PROJECTS FUNDS</u>		Total Nonmajor Governmental Funds (see Exhibit "C")
	<u>1984 Bond (CGS)</u>	<u>Paving at Miller Park (CQJ)</u>	
ASSETS			
Cash and cash investments	\$ 1	\$ 33,505	\$ 128,640
Interest receivable	-	-	789
Due from other funds	-	366	440
Total Assets	<u>\$ 1</u>	<u>\$ 33,871</u>	<u>\$ 129,869</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Unreserved:			
Undesignated	<u>1</u>	<u>33,871</u>	<u>129,869</u>
Total Fund Balances	<u>1</u>	<u>33,871</u>	<u>129,869</u>
Total Liabilities and Fund Balances	<u>\$ 1</u>	<u>\$ 33,871</u>	<u>\$ 129,869</u>

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	SPECIAL REVENUE FUNDS		
	SR Trans Project (SSB)	Zoo Project (SSC)	SR Center Paving (CNG)
REVENUES			
Other governmental assistance	\$ -	\$ -	\$ 15,758
Investment earnings	65	1,831	144
Service fees	-	-	958
Contributions	-	-	7,689
Total Revenues	65	1,831	24,549
EXPENDITURES			
Services and supplies	168	-	19,935
Capital outlay:			
Improvements to land	-	-	-
Total Expenditures	168	-	19,935
Excess of Revenues Over (Under) Expenditures	(103)	1,831	4,614
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Net Change in Fund Balances	(103)	1,831	4,614
Fund Balances - beginning	2,411	65,627	-
Fund Balances - ending	<u>\$ 2,308</u>	<u>\$ 67,458</u>	<u>\$ 4,614</u>

CAPITAL PROJECT FUNDS		
SR Center Paving (CNG)	Miller Park (CRP)	Meadow Park Walk (CSE)
\$ - 27	\$ - 109	\$ - 456
-	-	-
-	-	-
27	109	456
-	-	-
118,261	-	-
118,261	-	-
(118,234)	109	456
118,579	-	-
345	109	456
63	4,386	16,258
\$ 408	\$ 4,495	\$ 16,714

**County of San Bernardino Special Districts
Big Bear Valley Recreation and Park District
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	<u>CAPITAL PROJECT FUNDS</u>		Total Nonmajor Governmental Funds (see Exhibit "D")
	<u>1984 Bond (CGS)</u>	<u>Paving at Miller Park (CQJ)</u>	
REVENUES			
Other governmental assistance	\$ -	\$ -	\$ 15,758
Investment earnings	-	605	3,237
Service fees	-	-	958
Contributions	-	-	7,689
Total Revenues	-	605	27,642
EXPENDITURES			
Services and supplies	-	-	20,103
Capital outlay:			
Improvements to land	-	6,734	124,995
Total Expenditures	-	6,734	145,098
Excess of Revenues Over (Under) Expenditures	-	(6,129)	(117,456)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	40,000	158,579
Net Change in Fund Balances		33,871	41,123
Fund Balances - beginning	<u>1</u>	<u>-</u>	<u>88,746</u>
Fund Balances - ending	<u>\$ 1</u>	<u>\$ 33,871</u>	<u>\$ 129,869</u>